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FISCAL IMPACT REPORT

SPONSOR Heaton ORIGINAL DATE 2/10/07
LAST UPDATED _____ HB 604
SHORT TITLE Medicaid Waiver Cost of Living Adjustments SB _____
ANALYST Weber

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$2,850.0	\$3,130.0	\$5,980.0	Recurring	General Fund
		\$7,150.0	\$7,485.0	\$14,635.0	Recurring	Federal Medicaid

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB 651
Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From
Human Services Department (HSD)
Department of Health (DOH)
Health Policy Commission

SUMMARY

Synopsis of Bill

House Bill 604 requires the Human Services Department (HSD), Aging and Long Term Services Department (ALTSD) and the Department of Health (DOH) to include a cost of living increase for all Medicaid waiver programs in their annual budget requests. The cost of living adjustment would be based on the Centers for Medicare and Medicaid Services (CMS) Market Basket Index (MBI) inflation factor. HB 604 proposes that the cost of living adjustment would improve staff recruitment and retention and promote quality services.

FISCAL IMPLICATIONS

Although the bill does not include an appropriation the additional cost would be significant.

HSD reports the CMS MBI increase for July 1, 2007 is 3.1 percent.

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For FY08 the HSD projection indicates the following estimated expenditure for waiver programs.

Developmental Disability including Medically Fragile	\$255 million
D&E Waiver	\$ 58 million
Self-Directed	\$ 7 million
Total	\$320 million

A 3.1 percent increase totals just under \$10 million. Using an approximate federal matching rate of 71.5 percent, the general fund cost would be \$2.85 million and the federal \$7.15 million. These additional funds would be distributed primarily between HSD and DOH with ALTSD receiving a lesser amount.

The FY09 numbers for additional operating costs are based on an overall 7 percent program increase and a repeat of the 3.1 percent market basket increase and an FMAP decrease of .75 percent.

SIGNIFICANT ISSUES

HSD notes.

The bill would increase reimbursement rates for all Medicaid waiver programs. While many Medicaid programs are operated on waivers from CMS, it is presumed that the bill is referencing HCBS Waivers. Currently, New Mexico operates five HCBS Waivers: the AIDS, DD, D&E, MF and Mi Via Waiver programs. DOH, Developmental Disabilities Supports Division is responsible for administering the DD and MF Waivers and part of the Mi Via Waiver. DOH, Public Health Division is responsible for administering the AIDS Waiver. ALTSD is responsible for administering the D&E Waiver and part of the Mi Via Waiver including services to individuals with BI.

Mi Via is the State's new self-directed waiver program that is currently in the initial stages of implementation. All but 200 of Mi Via's participants will transfer from existing HCBS waiver programs, so the cost of living increase would be included in the cost calculations for the other four waiver programs. The 200 Mi Via recipients that do not transition from existing HCBS waiver programs are individuals with BI that do not currently receive traditional waiver services.

The bill indicates that the cost of living increase would be used to improve staff recruitment and retention, and to meet increased programmatic and operational costs of quality services. It would be difficult for DOH and ALTSD ensure that the rate increase for services was used for this purpose by all waiver provider agencies.

MW/csd